Beth Israel Medical Center and Affiliates

Consolidated Financial Statements
December 31, 2012 and 2011

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Independent Auditor's Report

To the Board of Trustees
Beth Israel Medical Center and Affiliates

We have audited the accompanying consolidated financial statements of Beth Israel Medical Center and its Affiliates ("BIMC"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of their operations, changes in net assets and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to BIMC's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BIMC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BIMC, at December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

April 24, 2013

Beth Israel Medical Center and Affiliates
Consolidated Balance Sheets
December 31, 2012 and 2011

(in thousands of dollars)	**2012**	**2011**
Assets		
Current assets		
Cash and cash equivalents	$ 166,786	$ 190,065
Marketable securities and other short-term investments	31,499	28,351
Receivables for patient care, less allowance for doubtful accounts of $135,485 in 2012 and $129,429 in 2011	204,263	204,098
Inventories	12,562	11,293
Prepaid expenses and other current assets	25,609	28,122
Due from affiliated organizations	2,574	2,259
Current portion of pledges receivable, net	3,822	4,721
Current portion of assets limited as to use	17,584	520
Total current assets	464,699	469,429
Assets limited as to use	-	12,573
Long-term investments	19,010	16,816
Reinsurance receivables	300,712	283,091
Investments in captive insurance companies	83,883	60,852
Pledges receivable, net	3,312	3,656
Property, plant and equipment, net	450,493	464,515
Due from affiliated organizations	4,392	5,673
Deferred financing costs, net	4,400	5,089
Other assets	57,308	58,382
Total assets	$ 1,388,209	$ 1,380,076
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 92,242	$ 98,410
Accrued salaries and related liabilities	122,028	106,813
Current portion of long-term debt and capitalized leases	26,399	42,005
Other current liabilities	48,901	53,281
Total current liabilities	289,570	300,509
Insured liabilities	300,712	283,091
Long-term debt and capitalized leases	175,332	237,643
Other noncurrent liabilities	157,477	156,060
Total liabilities	923,091	977,303
Net assets		
Unrestricted	429,262	362,720
Temporarily restricted	12,291	16,562
Permanently restricted	23,565	23,491
Total net assets	465,118	402,773
Total liabilities and net assets	$ 1,388,209	$ 1,380,076

The accompanying notes are an integral part of these consolidated financial statements.

Beth Israel Medical Center and Affiliates
Consolidated Statements of Operations
Years Ended December 31, 2012 and 2011

(in thousands of dollars)	**2012**	**2011**
Operating revenue		
Net patient service revenue	$ 1,126,499	$ 1,143,581
Faculty practice revenue	182,497	192,907
Net assets released from restriction	7,470	8,140
Investment income	6,686	2,729
Other revenue	150,681	120,759
Total operating revenue	1,473,833	1,468,116
Operating expenses		
Salaries and wages	714,867	706,648
Employee benefits	200,803	191,691
Supplies and other expenses	456,772	454,443
Depreciation and amortization	71,151	71,146
Interest	10,032	13,952
Total operating expenses	1,453,625	1,437,880
Operating income before other items	20,208	30,236
Equity gain (loss) from investments in captive insurance companies	25,532	(9,410)
Operating gain	45,740	20,826
Gain on defeasance of note payable	14,429	-
Unrestricted contributions	6,995	6,219
Excess of revenue over expenses	67,164	27,045
Change in fair value of interest rate swap	(622)	(3,623)
Increase in unrestricted net assets	$ 66,542	$ 23,422

The accompanying notes are an integral part of these consolidated financial statements.

Beth Israel Medical Center and Affiliates
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2012 and 2011

(in thousands of dollars)	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Net assets at December 31, 2010	$ 339,298	$ 18,875	$ 21,538	$ 379,711
Change in net assets				
Excess of revenue over expenses	27,045	-	-	27,045
Change in fair value of interest rate swap	(3,623)	-	-	(3,623)
Gifts, grants, bequests and other items	-	5,827	1,953	7,780
Net assets released from restriction	-	(8,140)	-	(8,140)
Total change in net assets	23,422	(2,313)	1,953	23,062
Net assets at December 31, 2011	362,720	16,562	23,491	402,773
Change in net assets				
Excess of revenue over expenses	67,164	-	-	67,164
Change in fair value of interest rate swap	(622)	-	-	(622)
Gifts, grants, bequests and other items	-	3,199	74	3,273
Net assets released from restriction	-	(7,470)	-	(7,470)
Total change in net assets	66,542	(4,271)	74	62,345
Net assets at December 31, 2012	$ 429,262	$ 12,291	$ 23,565	$ 465,118

The accompanying notes are an integral part of these consolidated financial statements.

Beth Israel Medical Center and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011

(in thousands of dollars)	**2012**	**2011**
Cash flows from operating activities		
Change in net assets	$ 62,345	$ 23,062
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation and amortization	71,151	70,573
Change in fair value of interest rate swap	622	3,623
Provision for bad debt	57,682	53,977
Permanently restricted contributions	(74)	(1,953)
Net unrealized and realized (gains) losses from investments	(4,616)	866
Equity (gain) loss from investments in captive insurance companies	(25,532)	9,410
Gain on defeasance of note payable	(14,429)	-
Increase (decrease) in cash resulting from a change in		
Receivables for patient care, net	(57,847)	(58,923)
Accounts payable and accrued expenses	(5,242)	4,487
Other current liabilities	(4,380)	(5,259)
Net effect of increases and decreases in other assets and liabilities	6,502	5,336
Net cash provided by operating activities	86,182	105,199
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(49,328)	(42,632)
Decrease in assets limited as to use	11,079	8,147
Purchases of marketable securities and investments	(44,884)	(6,049)
Sales of marketable securities and investments	44,158	2,866
Net cash used in investing activities	(38,975)	(37,668)
Cash flows from financing activities		
Proceeds from long-term debt	190	26,115
Payments of long-term debt	(71,716)	(66,917)
Proceeds from related parties	966	178
Permanently restricted contributions	74	1,953
Net cash used in financing activities	(70,486)	(38,671)
Net (decrease) increase in cash and cash equivalents	(23,279)	28,860
Cash and cash equivalents		
Beginning of year	190,065	161,205
End of year	$ 166,786	$ 190,065
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 9,526	$ 14,539
Assets acquired under capital leases	8,083	5,041

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of dollars)

1. Organization and Significant Accounting Policies

Organization

Beth Israel Medical Center ("BIMC") is a not-for-profit membership corporation located in New York City. BIMC is a tertiary care teaching hospital with 1,106 licensed acute care beds in two campuses, the Petrie Division (894 beds) located in Manhattan and the Kings Highway Division (212 beds) located in Brooklyn. In addition, BIMC includes several ambulatory care locations throughout the metropolitan area. Operating revenues include those generated from direct patient care, investment income, reimbursement of research and educational activities and the revenues related to the operation of BIMC's facilities. BIMC is the sole corporate member of or controls the following entities: Beth Israel Ambulatory Services Corporation, Inc., B.I. Nursing Home Company (the "Nursing Home"), East 17th Street Properties, Inc., East 88th Street Properties, Inc and Beth Israel Foundation Inc. Additionally, BIMC owns or controls various other entities whose operations were effectively dormant for the years ended December 31, 2012 and 2011.

Continuum Health Partners, Inc. ("CHP") is the sole member of BIMC. In addition, CHP is the sole corporate member of St. Luke's-Roosevelt Hospital Center ("SLR") and New York Eye and Ear Infirmary ("NYEE"). SLR controls two other not-for-profit corporations, St. Luke's-Roosevelt Institute for Health Sciences, a research organization, and Augustus & James Corporation ("A&J"), which owns and operates two residential buildings, and two for-profit corporations, 425 West 59th Street Condominium, LLC which owns and operates a commercial condominium building and Manhattan Management Services Inc. ("MMS"), a physician practice management organization, which is accounted for using the equity method. NYEE is the sole corporate member of NYEE Housing Company, Inc., which provides housing and ancillary facilities to staff members and employees of NYEE, and the New York Eye and Ear Infirmary Foundation, whose sole purpose is to financially support NYEE.

CHP was the sole corporate member of Long Island College Hospital ("LICH") until May 29, 2011. On May 29, 2011, LICH closed on an Asset Purchase Agreement ("APA") with The State University of NY at Downstate ("SUNY"). Under the terms of the APA, SUNY acquired essentially all of the physical plant assets of LICH as well as the prepaid assets, inventory, other assets and temporary restricted funds of LICH. In addition, SUNY assumed all the long term debt and other noncurrent liabilities of LICH excluding those liabilities related to medical and professional liabilities. Approximately $85,700 of Assets limited as to use, primarily from the Othmer endowment, was transferred to a Trust created by an order of the NYS Surrogate Court. The Trust is established to satisfy all medical and professional liabilities of LICH, which were also transferred to the Trust as part of the APA. Cash and patient care receivables were retained by LICH to be used to pay down accounts payable and certain accrued expenses, which also remain with LICH. Upon satisfaction of the remaining liabilities of LICH, the residual assets, if any, are to be transferred to SUNY by May 28, 2013 in accordance with the terms of the APA.

BIMC has entered into a Transition Services Agreement ("TSA") with SUNY to provide certain business services to SUNY as they relate to the operations of the Hospital by SUNY under the APA for an initial period of three years, which expires on May 28, 2014. Some of the services provided under the TSA are IT and Telecom, Payroll Processing, Patient Revenue Cycle and Professional Billing and General Accounting and General Ledger Systems.

(in thousands of dollars)

The hospitals of CHP currently deliver care through four major inpatient facilities in Manhattan and Brooklyn, as well as through ambulatory health centers and group and private practice settings throughout New York City.

BIMC and its consolidated affiliate organizations are tax-exempt organizations under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes related to these entities has been made.

Basis of Accounting and Principles of Consolidation
The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of BIMC and its affiliates. All significant intercompany accounts and transactions have been eliminated in consolidation. BIMC has performed an evaluation of subsequent events through April 24, 2013, which is the date the consolidated financial statements were issued.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates relate to patient accounts receivable allowances and amounts due (to) from third-party payors. Actual results may differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents include investments in highly liquid financial instruments with a maturity, when purchased, of three months or less. Cash and cash equivalents are also held in its investment portfolio and assets whose use is limited. Substantially all of BIMC's cash and cash equivalents are deposited with four financial institutions at December 31, 2012 and 2011. Included in cash and cash equivalents are amounts in excess of $250 at December 31, 2012 and, 2011 which is the maximum amount insured by the Federal Deposit Insurance Company. However, management believes that these institutions are viable entities and therefore risk of loss is minimized.

Investments
Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Fair value, as determined in accordance with fair value measurement and disclosure authoritative guidance, is the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs, as further described in Note 3.

Other investments for which a readily determinable fair value is not available are accounted for using the equity method or cost method, depending on BIMC's ownership percentage. Earnings and losses on equity method investments are included in excess of revenues over expenses. Investment income earned on permanently restricted net assets, upon which restrictions have been placed by donors, is added to temporarily restricted net assets and is reported within gifts, grants, bequests and other items, or in permanently restricted net assets if held in perpetuity.

(in thousands of dollars)

Inventories
Inventories, principally drugs and medical supplies, are stated at the lower of cost, determined on a first-in, first-out method, or market.

Assets Limited as to Use
Assets limited as to use primarily include internally designated funds held for specific purposes and assets held by trustees under an escrow agreement (Note 3). Amounts required to meet BIMC's current liabilities have been classified as current assets in the consolidated balance sheets at December 31, 2012 and 2011. Fair value of assets limited as to use is determined in accordance with fair value measurement and disclosure authoritative guidance, as further discussed in Note 3.

Property, Plant and Equipment
Property, plant and equipment is carried at cost and those assets acquired by gifts and bequests are carried at appraised or fair value established at the date of contribution. Depreciation expense is computed utilizing the straight-line method over the estimated useful lives of the assets which range from 3 to 40 years. In accordance with BIMC's policy, one-half year's depreciation is recorded in the year of asset acquisition, and in the final year of the asset's useful life.

Equipment under capital leases is recorded at the present value of the minimum lease payments at the inception of the leases and is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. The amortization of assets recorded under capital leases is included in depreciation and amortization expense in the accompanying consolidated statement of operations. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring these assets. When assets are retired or otherwise disposed of, the cost and the related depreciation are reversed from the accounts, and any gain or loss is reflected in current operations. Repairs and maintenance expenditures are expensed as incurred.

Impairment of Long-Lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no long-lived asset impairment losses for the years ended December 31, 2012 and 2011.

Conditional Asset Retirement Obligations
Asset retirement obligations, reported in other noncurrent liabilities, are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, BIMC records changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. BIMC reduces their liabilities when the related obligations are settled.

Deferred Financing Costs
Deferred financing costs represent costs incurred to obtain financing. Amortization of these costs is recorded over the term of the applicable indebtedness, and approximates the interest method.

(in thousands of dollars)

Gross deferred financing costs at December 31, 2012 and 2011 was $9,664 for each year. Total accumulated amortization at December 31, 2012 and 2011 was $5,264 and $4,575, respectively.

Reinsurance Receivables
Reinsurance receivables, recorded as required under authoritative guidance, represents amounts due from commercial and captive insurance companies for medical malpractice liabilities that are reported under Insured Liabilities on the balance sheet. BIMC's reinsurance receivables are due from fully funded captive companies and A+ rated commercial carriers and as such there is no provision for uncollectibility.

Other Assets
BIMC has invested in various health care entities, and these amounts are classified as other assets in the accompanying consolidated balance sheets certain of which are accounted for using the cost method. For the entities accounted for on the cost method, if these entities are unable to generate sufficient cash flow in the future, BIMC may be required to write down the carrying value of these investments to an estimated net realizable value.

Included in other assets in the consolidated balance sheets is approximately $44,393 at December 31, 2012 and 2011 of goodwill recorded in connection with purchases of healthcare organizations. In accordance with current authoritative guidance, BIMC does not amortize goodwill but rather reviews such for impairment. There were no impairment losses for the years ended December 31, 2012 and 2011.

Interest Rate Swap
BIMC utilizes an interest rate swap, also known as a risk management or derivative instrument, to effectively create a fixed rate of interest on a mortgage loan. BIMC designates at inception whether the swap agreement is considered hedging or nonhedging for accounting purposes in accordance with derivatives and hedging authoritative guidance. Interest rate swaps are recorded in the consolidated balance sheets at fair value. Hedging ineffectiveness, if any, is recorded in the excess of revenues over expenses.

Insured Liabilities
Insured liabilities recorded as required under authoritative guidance represents the amount of BIMC's medical malpractice liabilities that are reinsured from commercial and captive insurance companies. The corresponding amounts due are reported under Reinsurance Receivables on the balance sheet.

Other Noncurrent Liabilities
Other noncurrent liabilities in the accompanying consolidated balance sheets consist primarily of the long-term portion of estimated payables to third-party payors, swap interest rate liabilities and professional liability insurance.

Temporarily and Permanently Restricted Net Assets
Net assets associated with restricted funds are classified and reported based on the existence or absence of donor-imposed restrictions. Unconditional promises to donate cash and other assets are reported at fair value at the date the promise is received. Conditional promises to donate and indications of intentions to donate are recognized when the condition is substantially met.

(in thousands of dollars)

Temporarily restricted net assets are those whose use by BIMC is limited by donor-imposed restrictions to a specific time period or purpose. Once restrictions are satisfied, those temporarily restricted net assets are released from restrictions, except for temporarily restricted revenue earned and expended in the same fiscal year, which is recorded as unrestricted revenue.

Gifts of long-lived assets under specific restrictions that specify the use of assets and gifts of cash or other assets that must be used to acquire long-lived assets are reported as additions to temporarily restricted net assets if the assets are not placed in service during the year.

Permanently restricted net assets have been restricted by donors to be maintained by BIMC in perpetuity and these endowment funds are included in long term investments.

Consistent with authoritative guidance on Net Asset Classification of Endowment Funds, BIMC records as permanently restricted assets the original amount of gifts which donors have given to be maintained in perpetuity. For financial statement purposes, all subsequent accumulated gains on such donor restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until appropriated for expenditure by the Board of Trustees of BIMC. BIMC's spending rule is to pay out, per annum, 5% of its rolling three-year average market value of the Endowment Fund assets. The Board of Trustees further understands its policies on retaining and spending from endowment to be consistent with the requirements of New York State law.

Under the policies established and approved by BIMC's Investment Committee, donor-restricted endowment funds are invested in income-generating investment vehicles to generate appreciation and preserve capital.

As a result of unfavorable market fluctuations, the fair market value of assets associated with individual donor-restricted endowment funds have fallen below historic dollar value. The aggregate amounts by which fair value was below historic value was $2,123 and $3,523 as of December 31, 2012 and 2011, respectively. These amounts were recorded in the unrestricted fund and no changes have been recorded in the permanently restricted fund. As the fair value was below historic value, BIMC did not distribute the income related to any underwater endowment fund assets in 2012 or 2011.

Faculty Practice Revenue

BIMC has a faculty practice plan ("FPP") which consists of employed multispecialty physicians. Based on the employment agreements, revenue generated from patient care services provided by the FPP are allocated to pay for physicians salaries, overhead and to fund education and other expenses of the specific department.

Statement of Operations and Performance Indicator

BIMC differentiates its operating activities through the use of operating income before other items as an intermediate measure of operations. For the purposes of display, unrestricted donor contributions, which management does not consider to be components of BIMC's operating activities, are excluded from the income from operations and reported as nonoperating revenues in the statement of operations.

The consolidated statements of operations include the excess of revenue over expenses as the performance indicator. Changes in unrestricted net assets, which are excluded from the excess of

(in thousands of dollars)

revenue over expenses, include effective portions of changes in fair value of interest rate swap designated as a cash flow hedge.

Charity Care
In accordance with BIMC's charity care policy and New York State Department of Health Guidelines, BIMC provides care to all patients regardless of their ability to pay. As a matter of policy, BIMC provides significant amounts of partially or totally uncompensated patient care. For accounting purposes, such uncompensated care is treated either as charity care or bad debt expense. BIMC has defined charity care for accounting purposes as the difference between its customary charges and the sliding scale rates given to patients in need of financial assistance. Since payment of this difference is not sought, charity care allowances are not reported as revenue. Patients who do not qualify for sliding scale fees and all uninsured inpatients who do not qualify for Medicaid assistance are billed at BIMC's full rates. Uncollected balances for these patients are categorized as bad debts. The estimated cost of forgone charges related to the provision of charity care for all patient services is approximately $7,975 and $9,329 for the years ended December 31, 2012 and 2011, respectively, which is based on a ratio of cost to charges during the period.

New Accounting Pronouncements

In July 2011, the FASB issued Accounting Standards Update No. 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. This new standard is intended to provide consistency in practice when preparing charity care disclosures. The amendments under this update require entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statements of operations. Therefore, the presentation of bad debt expense in the statement of operations moves from the expenses section to netting down revenues. The standard is effective for fiscal years with the first annual period ending after December 15, 2012. BIMC has adopted this guidance within its consolidated statement of operations for the year ended December 31, 2012, and also applied the guidance retrospectively for the year ended December 31, 2011. The enhanced disclosures required under this guidance are included in Note 2.

In September 2011, the FASB issued ASU No. 2011-09, Compensation – Retirement Benefits – Multiemployer Plans. ASU No. 2011-09 requires that employers provide additional separate disclosures for multiemployer pension plans and multiemployer other postretirement benefit plans. BIMC has adopted this guidance for the year ended 2012, and the additional disclosures have been included in Note 8.

2. Net Patient Service Revenue, Receivables for Patient Care and Allowance for Doubtful Accounts

BIMC has agreements with third-party payors that provide for payments at amounts different from its established rates (i.e., gross charges). Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

(in thousands of dollars)

Billings relating to services rendered are recorded as net patient service revenue in the period in which the service is performed, net of contractual and other allowances which represent differences between gross charges and the estimated receipts under such programs. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Receivables for patient care are also reduced for allowances for uncollectible accounts.

The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. The use of historical collection and payors reimbursement experience is an integral part of the estimation of reserves for uncollectible accounts. Changes in reserve for uncollectible accounts estimates are recorded as an adjustment to the provision for bad debts.

A summary of the payment arrangements with major third-party payors is as follows:

- *Medicare*: Inpatient acute care and certain nonacute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Effective October 1, 2007, the Centers for Medicare and Medicaid Services ("CMS") revised the Medicare patient classification system. The new Medicare severity adjusted diagnosis related groups ("MS-DRGs") reflect changes in technology and current methods of care delivery. CMS has expanded the number of DRGs from 538 to 745 and requires identification of conditions that are present upon admission. Direct medical education costs related to Medicare beneficiaries are paid based on prospectively set rates. BIMC is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

- *Nonmedicare Payments*: The New York Health Care Reform Act of 1996, as updated, governs payments to hospitals in New York State (NYS). Under this system, hospitals and all nonmedicare payors, except Medicaid, workers' compensation and no-fault insurance programs, negotiate hospital's payment rates. If negotiated rates are not established, payors are billed at the hospitals established charges. Medicaid, workers' compensation and no-fault payors pay hospital rates promulgated by the New York State Department of Health ("NYSDOH") on a prospective basis. Adjustments to current and prior years' rates for these payors will continue to be made in the future. Effective December 1, 2009, NYSDOH implemented inpatient reimbursement reform. The reform updated the data utilized to calculate NYS DRG rates and service intensity weights ("SIWs"), in order to utilize refined data and more current information in NYSDOH promulgated rates. Similar type outpatient reforms were implemented effective December 1, 2008.

There are various proposals at the Federal and State levels that could, among other things, reduce payment rates and increase managed care penetration, including Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

(in thousands of dollars)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. During 2012 and 2011, the net amounts recorded related to prior years and changes in estimates decreased the performance indicator approximately $15,115 and $3,741, respectively.

BIMC's Medicare cost reports have been audited through December 31, 2004 and finalized through December 31, 2000 by the Medicare fiscal intermediary.

BIMC provides care regardless of a patient's ability to pay. Uninsured patients seen in the emergency department, including patients subsequently admitted for inpatient services, often do not provide information necessary to allow BIMC to qualify such patients for charity care. Uncollectible amounts due from such uninsured patients represent the substantial portion of the provision for bad debts reflected in the accompanying consolidated statements of operations.

Patient service revenue, net of contractual allowances and the provision for bad debts, recognized in the period from these major sources, is as follows for the years ended December 31, 2012 and 2011.

	2012	2011
Gross Charges	$ 3,523,078	$ 3,301,524
Contractual Allowances	2,338,897	2,103,966
Patient service revenue, net of contractual allowances	1,184,181	1,197,558
Provision for Bad debt	57,682	53,977
Total net patient service revenue	$ 1,126,499	$ 1,143,581

The mix of BIMC's patient service revenue, net of contractual allowances from patients and third-party at December 31, 2012 and 2011 are as follows:

	2012	2011
Medicare	33%	34%
Medicaid	27%	27%
Blue Cross	8%	10%
Managed care and other	29%	25%
Self Pays	3%	4%
	100%	100%

(in thousands of dollars)

3. Investments and Assets Limited as to Use

Investments and Assets Limited as to Use with readily determinable values are recorded at fair value. Investments and Assets Limited as to Use for which a readily determinable value is not available are accounted for using the equity or cost method, depending upon BIMC's ownership percentage. The fair value of BIMC's investments in private partnership and equity funds is determined by the management of the respective fund. BIMC believes that the carrying amount of these investments is a reasonable estimate of fair value as of December 31, 2012. Because these investments are not marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed and such differences could be material. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The three levels of inputs are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation techniques used for assets measured at fair value.

Cash and cash equivalents includes money market instruments that are valued at amortized cost which approximates fair value.

Marketable equities and fixed income consists of investments in publicly traded U.S. and foreign equities, funds that invest in equity and fixed income based strategies, and cash held in separate accounts committed to these strategies. The fair value of these investments is based on quoted market prices. Investments that are listed on an exchange are valued, in general, at the last reported sale price (or, if there is no sales price, at the last reported bid price, or, in the absence of reported bid prices, at the mean between the last reported bid and asked prices thereof). Fund investments in equity and fixed income based strategies are valued in accordance with valuations provided by the investment managers of the underlying funds.

U.S. government debt securities are valued on the basis of the quoted market prices at year-end. If quoted market prices are not available for the investments, these investments are valued based on yields currently available on comparable securities or issuers with similar credit ratings.

(in thousands of dollars)

Limited marketability investments include interests in absolute return strategy funds, private equity funds, and real asset funds. BIMC values these investments in accordance with valuations provided by the investment managers of the underlying funds. These funds may make investments in securities that are publicly traded, which are generally valued based on observable market prices, unless a restriction exists. In addition, interests in a private equity fund may be publicly traded and valued based on observable market prices. As a general rule, managers of funds invested in limited marketability investments value those investments based upon the best information available for a given circumstance and may incorporate assumptions that are the investment manager's best estimates after consideration of a variety of internal and external factors. Certain investments may be subject to restrictions that limit BIMC's ability to withdraw capital after the initial investment is made (lock ups ranging from 0 to 2 years and redemption notice periods that range from 0 days to 95 days).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different value measurement at the reporting date.

Marketable Securities and Long-Term Investments

The composition and fair value hierarchy of marketable securities and long-term investments measured at fair value on a recurring basis at December 31, 2012 and 2011 is set forth in the following table:

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 823	$ -	$ -	$ 823
U.S. government and fixed income	4,669	-	-	4,669
Marketable equity investments	11,471	-	-	11,471
Total marketable securities	$ 16,963	$ -	$ -	16,963
Limited marketability investments under the equity method				33,546
Total marketable securities and long term investments				50,509
Less: Current portion				31,499
Total long term investments				$ 19,010

(in thousands of dollars)

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,242	$ -	$ -	$ 2,242
U.S. government and fixed income	6,487	-	-	6,487
Marketable equity investments	15,790	-	-	15,790
Total marketable securities	$ 24,519	$ -	$ -	24,519
Limited marketability investments under the equity method				20,648
Total marketable securities and long term investments				45,167
Less: Current portion				28,351
Total long term investments				$ 16,816

Assets Limited as to Use

The composition and fair value hierarchy of assets limited as to use at December 31, 2012 and 2011 is set forth in the following table:

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 17,584	$ -	$ -	$ 17,584
Total assets limited as to use	$ 17,584	$ -	$ -	17,584
Less: Current portion				17,584
				$ -

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 10,406	$ -	$ -	$ 10,406
U.S. Government and other obligations	2,687	-	-	$ 2,687
Total assets limited as to use	$ 13,093	$ -	$ -	13,093
Less: Current portion				520
				$ 12,573

(in thousands of dollars)

Assets limited as to use and their specific designations as provided for under BIMC's debt structure are set forth in the following table:

	December 31, 2012	December 31, 2011
Debt service reserve funds	$ -	$ 782
Revenue funds	-	550
Collateral for line of credit	-	8,512
Internally designated funds	15,570	-
Required escrow fund	2,014	3,044
Tax exempt equipment lease escrow	-	205
	$ 17,584	$ 13,093

Investment income and gains on long-term investments, marketable securities, assets limited as to use, and cash and cash equivalents consist of the following:

	Years Ended December 31, 2012	Years Ended December 31, 2011
Interest and dividends	$ 2,070	$ 3,596
Net realized gains	3,251	594
Net unrealized gains (losses)	1,365	(1,461)
Total investment income	$ 6,686	$ 2,729

4. Property, Plant and Equipment

A summary of property, plant and equipment is as follows:

	December 31, 2012	December 31, 2011
Land and land improvements	$ 14,058	$ 14,058
Buildings and building improvements	456,701	436,550
Equipment held under capital leases	102,203	95,201
Equipment	929,071	907,222
	1,502,033	1,453,031
Less: Accumulated amortization and depreciation	1,076,715	1,006,253
	425,318	446,778
Construction in progress	25,175	17,737
	$ 450,493	$ 464,515

Depreciation and amortization expense was $70,462 and $70,341 for the years ended December 31, 2012 and 2011, respectively. Accumulated amortization associated with equipment held under capital leases was $65,083 and $56,965 at December 31, 2012 and 2011, respectively.

(in thousands of dollars)

During 2012 and 2011, BIMC capitalized approximately $826 and $1,021, respectively, of interest expense related to various construction projects.

5. Long-Term Debt and Capitalized Leases

A summary of long-term debt and capitalized leases is as follows:

	December 31, 2012	December 31, 2011
Nursing Home insured mortgage loan [a]	$ -	$ 650
Collateralized loans [b]	166,396	236,922
Capital leases with interest rates ranging from 2.75% to 12.60%	23,762	25,930
Other loans[c]	11,573	16,146
	201,731	279,648
Less: Current portion	26,399	42,005
	$ 175,332	$ 237,643

a. The Nursing Home mortgage loan agreement with the Dormitory Authority of the State of New York ("DASNY") was collateralized by a first lien on the nursing facility. The mortgage loan interest rate was 6.2%. In accordance with the mortgage agreement, the Nursing Home was required to comply with various financial and nonfinancial covenants, the most restrictive of which include the filing of monthly, quarterly and annual financial statements within specified time frames, and maintaining a Debt Service coverage ratio of at least 1.1. The outstanding amount at December 31, 2011 was collateralized by assets limited as to use. BIMC repaid the remaining $650 during 2012 and no balance is outstanding at December 31, 2012.

b. (i) In September 2004, BIMC entered into a credit agreement ("Credit Agreement") with a lender to provide up to $165,000 of financing in the aggregate. The Credit Agreement was comprised of an $87,500 sub-facility ("Sub-Facility A") based on accounts receivable and a $77,500 sub-facility ("Sub-Facility B") which was based on cash collateral and is no longer outstanding. The sub-facility based on the accounts receivable was advanced in the amount of $87,500 in September 2004. In August 2011, Sub-Facility A was amended and increased to $90,000. It is collateralized by the patient receivables of BIMC, BICCC West and Beth Israel Ambulatory Services Corporation and a building located on the main campus. The loan is to be repaid over a fifteen year amortization period with quarterly payments of principal beginning in December 2004 and maturing March 2015 with an option to extend to March 2018 (balance outstanding at December 31, 2012 is $84,375). Interest is payable monthly at LIBOR (with a LIBOR Floor of 1.5%) plus 3.5% (interest rate at December 31, 2012 was 5.0%). This rate is adjusted every three months. As part of this agreement, BIMC was required to establish a blocked lock box whereby all receipts from patient-related receivables must be deposited. The lender can only block their transfer to BIMC in the event of default. If no event of default exists, the lock box is transferred daily to BIMC. Since these amounts are not utilized for debt repayment and there are no subjective acceleration clauses in the agreement, Sub-Facility A has been classified as long-term. The proceeds were used to refinance an existing loan.

(in thousands of dollars)

In accordance with the Credit Agreement, BIMC is required to comply with various financial and nonfinancial covenants, the most restrictive include the filing of monthly, quarterly and annual financial statements within specified time frames, maintaining fixed charge coverage ratio of at least 1.1, maintain days cash on hand of at least 22.5 days, have a maximum of days revenue in receivables of 67 days, as well as other financial covenants. For the year ended December 31, 2012, BIMC was in compliance with all covenants.

(ii) During 2007, certain lines of credit were refinanced with a mortgage loan in the amount of $66,500 at a rate equal to a LIBOR based rate plus 4.0%. In August of 2011, the mortgage loan was refinanced and reduced to $40,000 at a rate equal to a LIBOR based rate plus 2.5% (interest rate at December 31, 2012 was 2.71%). The loan is collateralized by certain property of BIMC (balance outstanding at December 31, 2012 is $33,810). In accordance with the loan, BIMC is required to comply with various covenants, the most restrictive include the filing of annual financial statements within 150 days, maintain days cash on hand of at least 20 days, maintain a debt service coverage ratio of at least 1.1 and the ratio of total liabilities to unrestricted net assets cannot exceed 3:1. For the year ended December 31, 2012, BIMC was in compliance with all covenants.

In October 2008, BIMC entered into a term loan agreement with a commercial bank in the amount of $40,000. The loan was collateralized with a cash account, included in assets limited as to use. Interest was payable monthly at the thirty day LIBOR plus 0.70% was paid back monthly over 47 months at $851 per month. The cash collateral account earned the thirty day LIBOR rate. The $8,511 balance outstanding at December 31, 2011 was fully repaid during 2012.

(iii) In February 2009, BIMC entered into a term loan agreement with a commercial bank in the amount of $55,000 (balance outstanding at December 31, 2012 is $48,211). The loan was collateralized by a first mortgage lien on four non-limited use properties. The mortgage has a 10 year term with a 20 year amortization. The loan has a call option that states upon five (5) years prior written notice, the commercial bank shall have the right to declare the Term Loan payable in full at the end of the tenth (10^{th}) year. The term loan is a variable interest rate loan on which the interest rate is set monthly at the LIBOR rate plus 1.65%.

BIMC entered into an Interest Rate Swap Agreement with the commercial bank to effectively fix the interest rate at a fixed rate of 4.93% for 10 years. The interest payments for the loan agreement, including interest paid under the interest rate swap agreement, were $2,453 and $2,545 for the years ended December 31, 2012 and 2011, respectively, and have been included in interest expense in the consolidated statement of operations. During the term of the interest rate swap agreement, BIMC can terminate the agreement at any time upon payment of a pre-penalty fee. The commercial bank can terminate the interest rate swap agreement if specified adverse events occur. In the event of default, the lender can only seek repayment from the collateral and not from any other assets of BIMC.

The fair value of the interest rate swap agreement is the estimated amount that BIMC would currently receive if the swap agreement was terminated at December 31, 2012, taking into account the current credit worthiness of the swap counterparties and is considered a Level 3 measurement in accordance with the fair value hierarchy in accordance with authoritative guidance on fair value measurements and disclosures. The estimated fair value of the interest rate swap was a liability (included within other noncurrent liabilities in the consolidated balance

(in thousands of dollars)

sheet) of $5,874 at December 31, 2012. The change in fair value for the year ended December 31, 2012 of $622 is recorded as a decrease in unrestricted net assets in the consolidated statements of change in net assets since management concluded the swap qualified as an effective hedge. The change in the fair value of the interest rate swap arose from differences between the floating rate under the term loan agreement and the fixed rate under the interest rate swap agreement, including assessment of counter party credit risk.

In accordance with this term loan, BIMC is required to comply with various covenants, the most restrictive of which are the filing of annual financial statements within 150 days, maintain days cash on hand of at least 20 days, maintain a debt service coverage ratio of at least 1.1 (excluding gains or losses of BIMC's captive insurance company) and the ratio of liabilities to unrestricted net assets cannot exceed 3:1. For the year ended December 31, 2012, BIMC was in compliance with all covenants.

(iv) In May 2010, BIMC acquired a Comprehensive Cancer Center from Aptium W. New York, Inc. ("Aptium") and St. Vincent's Catholic Medical Centers of New York, to expand its cancer line of service. BIMC entered into a term loan agreement with Aptium to be paid over a 10 year term which is collateralized by a first priority lien and security interest in the Cancer Center assets. In connection with the acquisition, BIMC recorded $38,373 of goodwill related to the service line expansion and turn-key status of the Cancer Center, which is included in Other Assets on the balance sheet. Additionally, BIMC entered into a ten year administrative services agreement with Aptium to provide management and day to day administrative services. In January 2012, the administrative services agreement with Aptium was terminated. The settlement resulted in a reduction of the outstanding obligation with Aptium of approximately $50,000, a cash payment from BIMC of approximately $18,000 and a new obligation to Aptium of approximately $17,500, the net effect of which resulted in a gain on defeasance of the note payable of approximately $14,500, which is reported in the statement of operations. The obligation of $17,500 was fully paid at December 31, 2012.

c. Other loans consist primarily of a $15,000 loan agreement with Hewlett-Packard, of which $9,001 was outstanding at December 31, 2012. The loan has a fixed rate of 5.5% and matures in 2015.

Long-term debt (excluding capital leases): The fair value of BIMC's long term debt approximates its carrying amount, and as the fair values are based on unobservable market data, it is therefore classified as Level 3.

(in thousands of dollars)

Scheduled principal repayments on long-term debt and payments on capital lease obligations are as follows:

	Long-Term Debt	Capital Lease Obligations
Years Ending December 31,		
2013	$ 16,825	$ 10,551
2014	15,590	6,021
2015	16,091	4,087
2016	12,519	2,018
2017	12,643	929
Thereafter	104,301	2,777
	$ 177,969	26,383
Less: Amount representing interest under capital lease obligations		2,621
		$ 23,762

6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets of $12,291 and $16,562 at December 31, 2012 and 2011, respectively, are available for health education, program improvement and medical research.

Permanently restricted net assets of $23,565 and $23,491 at December 31, 2012 and 2011, respectively, are to be held in perpetuity, the income from which generally is expendable to support health care services.

For the years ended December 31, 2012 and 2011, net assets were released from restrictions by incurring expenses and satisfying the restricted purposes of health education and program improvement and research in the amount of approximately $7,470 and $8,140, respectively.

7. Professional and General Liability Insurance Program

BIMC participates in a pooled professional and general liability program with certain other health care facilities affiliated with the Federation of Jewish Philanthropies of New York (“FOJP”) to cover medical malpractice and other claims. This participation is with captive and commercial insurance companies which provide occurrence based coverage. As of December 31, 2012, BIMC has ownership interests in three captive insurance companies affiliated with the FOJP program, which are accounted for under the equity method of accounting. Premiums are based on the experience of BIMC and other participating institutions. In connection with the pooled insurance program, BIMC has recognized its allocated share of a portion of the program’s accumulated surplus. These carrying amounts are shown in the table below as of December 31, 2012 and 2011.

(in thousands of dollars)

BIMC uses the equity method to account for its investment in its captive insurance companies associated with its medical malpractice insurance program. The equity method reflects the relationship between BIMC and the captive insurance company and the results of the captive insurance company's operations. The total carrying amount is shown in the table below as of December 31, 2012 and 2011.

	% Ownership	2012	% Ownership	2011
Briarwoods Insurance Company, Ltd.	25.00 %	$ 8,940	25.00 %	$ 10,094
Hospitals Insurance Company, Inc.	25.00 %	52,414	25.00 %	44,060
FFH Insurance Company Limited	29.51 %	22,529	29.51 %	6,698
		$ 83,883		$ 60,852

8. Pension and Similar Plans

BIMC provides pension and similar benefits to substantially all employees through several defined benefit multi-employer plans for union employees and tax sheltered annuity plans for nonunion employees. Contributions to these plans are generally based on gross salaries. It is BIMC's policy to fund accrued costs under these plans on a current basis.

Contributions to tax sheltered annuity plans approximated $15,477 and $15,776 for the years ended December 31, 2012 and 2011, respectively. BIMC's contributions to the defined benefit multi-employer union plans and nonunion defined contribution plans are generally based on gross salaries. It is BIMC's policy to fund accrued costs under these plans on a current basis. The total cost relating to union defined multi-employer pension plans amounted to $30,538 and $27,441 for the years ended December 31, 2012 and 2011, respectively.

Approximately 63% of BIMC's employees are union members. The most significant current union contracts expire during April 2015.

The risks of participating in multi-employer plans are different from single-employer plans in the following aspects: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers and (3) if BIMC chooses to stop participating in some of its multi-employer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. BIMC has contributed cash and recorded expenses for the multi-employer plans as noted in the table below.

	BIMC Contributions	
	2012	2011
Pension Fund		
1199 SEIU Health Care Employees Pension Fund (1199)	$ 30,366	$ 26,078 (a)
Other Pension Funds(b)	172	1,363
	$ 30,538	$ 27,441

(a) Represents greater than 5% of total plan contributions, based on available Form 5500.

(b) Consists of three pension funds in which the BIMC's contributions are individually and in the aggregate insignificant.

(in thousands of dollars)

The following table includes additional disclosure information related to the 1199 SEIU Health Care Employees Pension Fund.

EIN/Pension Plan Number	Pension Protection Act Zone Status[c] 2012	Pension Protection Act Zone Status[c] 2011	FIP/RP[d] Status Pending	Surcharge Imposed	Collective Bargaining Agreement
13-3604862 (1199)	N/A	Green	No	No	April 15, 2015

(c) A zone status rating of green indicates the plan is at least 80% funded. "N/A" indicates the current information is not available.
(d) Funding improvement plan or rehabilitation plan

Deferred Employee Compensation Plan
Pursuant to a deferred employee compensation plan in which certain former BIMC employees participate, BIMC deposits amounts with a trustee on behalf of the participating employees. Under the terms of the plan, BIMC is not responsible for investment gains or losses incurred. The assets are restricted for payments under the plan and may only revert to BIMC under certain specified circumstances. These funds totaled $436 and $519 at December 31, 2012 and 2011, respectively, and are included in other assets and other liabilities.

9. Related Party Transactions

BIMC conducts various transactions with other affiliated organizations of CHP. The following table summarizes amounts due from affiliated companies:

	December 31, 2012	December 31, 2011
St. Luke's-Roosevelt Hospital Center	$ 798	$ 761
St. Luke's-Roosevelt Hospital Center Loan	5,673	6,947
New York Eye and Ear Infirmary	495	224
Due from affiliated organizations	6,966	7,932
Less: Current portion	2,574	2,259
Long-term portion due from affiliated organizations	$ 4,392	$ 5,673

BIMC funds certain intercompany transactions and provides services to SLR on an ongoing basis which constitutes the amounts due from SLR at each year-end. Certain transactions are paid directly to vendors by BIMC on behalf of SLR and other charges are allocated or billed for corporate type services, such as administrative, human resources, software applications, and information technology, based on agreed-upon estimates of usage of those services. Amounts due from affiliated companies are classified as current or noncurrent in the accompanying balance sheets based on when payment is expected.

(in thousands of dollars)

In September 2004, SLR entered into a $12,000 loan with BIMC, in order to meet certain pension funding requirements. Interest only was due for the first two years of the loan at LIBOR plus 1%, established annually every September 15. On September 15, 2006, SLR started paying principal and interest payments amortized over a ten-year period with interest set annually every September 15 at LIBOR plus 1%. During 2011, BIMC provided SLR with an additional loan in the amount of $1,600 to fund the build out of certain clinical space. At December 31, 2012 and 2011, SLR owed $5,673 and $6,947, respectively.

During 2012 and 2011 BIMC charged SLR and LICH, now SUNY Downstate (for the first five months of 2012), for the use of a clinical management system ("Prism"). The assets related to the purchase and implementation of Prism were recorded by BIMC. These charges are paid in full on a monthly basis. Total amounts charged by BIMC to SLR, LICH and SUNY Downstate in the consolidated statements of operations were $8,924 and $12,182, respectively, for the years ended December 31, 2012 and 2011.

BIMC pays certain administrative expenses on behalf of NYEE. At December 31, 2012 and 2011, BIMC is owed $495 and $224, respectively.

10. Commitments and Contingencies

Third-Party Reimbursement Programs

The Nursing Home is reimbursed for Medicaid patients using a budgeted rate. The budgeted rates are subject to revision based on filed cost reports. To date, the budgeted rates paid to the Nursing Home have not been revised by Medicaid. Management has estimated and recorded, in the accompanying consolidated balance sheets a liability of approximately $18,490 and $18,816 at December 31, 2012 and 2011, respectively, for potential rate revisions.

Litigation

BIMC is involved in litigation and claims in the normal course of business. The ultimate outcome of these cases cannot be predicted at this time. Management does not believe that the ultimate outcome of these matters will have a material adverse effect on the consolidated financial position of BIMC.

Professional liability claims have been asserted against BIMC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are known incidents occurring through December 31, 2012 that may result in the assertion of additional claims and other claims may be asserted arising from services provided to patients in the past. It is the opinion of BIMC management, based on prior experience, that adequate insurance is maintained to provide for all significant professional liability losses.

Operating Leases

BIMC leases various equipment and facilities under operating leases expiring at various dates through 2018 and thereafter.

Total rental expense charged to operations approximated $30,993 and $34,867 in 2012 and 2011, respectively. Sublease income and contingent rentals during those years and amounts to be received after 2012 are not significant.

(in thousands of dollars)

Future minimum payments required under non-cancelable operating leases with initial or remaining terms of one year or more consisted of the following at December 31, 2012:

2013	$ 24,178
2014	18,842
2015	14,589
2016	14,499
2017	13,712
2018 and thereafter	56,929

11. Concentrations of Credit Risk

BIMC grants credit without collateral to its patients, most of who are local residents and are insured under third-party payors agreements. The mix of net receivables (net of contractual allowances, advances from certain third-parties and allowance for doubtful accounts) from patients and third-party payors was as follows:

	December 31,	
	2012	**2011**
Medicare	30 %	30 %
Medicaid	21	26
Managed care and other	39	37
Patients	10	7
	100 %	100 %

12. Pledges Receivable

Unconditional promises to give which are due more than one year from the balance sheet dates are discounted to reflect the present value of future cash flows. Pledges receivable consist of the following:

	December 31,	
	2012	**2011**
Amounts expected to be collected in		
Less than one year	$ 3,822	$ 4,721
One to four years	4,285	4,612
More than four years	200	202
	8,307	9,535
Discount to present value of future cash flows (at approximately 3%) and allowance for uncollectible amounts	(1,173)	(1,158)
Total pledges receivable, net	7,134	8,377
Less: Current portion	3,822	4,721
Long-term portion of pledges receivables, net	$ 3,312	$ 3,656

(in thousands of dollars)

13. Functional Expenses

The functional expenses related to BIMC providing its services are:

	Years Ended December 31, 2012	Years Ended December 31, 2011
Direct patient care and services	1,320,178	1,305,879
Research	133,180	131,737
Other general and administrative	267	264
	$ 1,453,625	$ 1,437,880

14. Subsequent Event

In the first quarter of 2013, BIMC agreed to a Memorandum of Understanding among CHP and another major academic medical center in Manhattan, which is intended to summarize the mutual intent of the parties thereto to form an affiliation. The timing and nature of any ultimate arrangement is not known at this time.